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SUBJECT: AUSTRALIAN PTROCHEMICALS FIRM TAKING A CLOSE LOOK
AT TURKMEN MARKET

Classified By: Charge Richard Miles, reasons 1.4 (B) and (D).

¶1. (C) An Australian trade delegation led by Australian Trade Commission Senior Commissioner for Russia and the CIS Dan Tebbutt told Economic Officer on March 10 that he observed, during a similar visit with Australian mining companies last year, that Turkmen officials from the mining sector were unclear regarding how they would proceed in the short or longterm. The lack of clarity included issues such as whether and how the Turkmenistan Government would develop a licensing regime and whether or not they were even interested in having foreign partners. Therefore, during this visit, Tebbutt decided to refocus the discussions on the oil and gas sector. He, together with executives from BHP Billiton, planned to emphasize the usefulness of foreign partners in bringing investment capital and technology for the development of the oil and gas sector. He noted that these foreign (read: Western) companies have resources that Turkmenistan needs, but does not have access to. He expressed some level of frustration with the high turnover of key government personnel. Lastly, he acknowledged bureaucratic hurdles such as registration for foreign companies make entering the market considerably more complicated than the Turkmen will admit.

¶2. (C) Tebutt noted that Gaffney Cline Associates is doing a good job advising on contract writing for Iraq's oil and gas agencies. (NOTE: Gaffney Cline conducted an important survey of some key Turkmen gas deposits last year. END NOTE.) He also referred to Gaffney Cline's extensive knowledge base in the industry and access to any kind of contract document needed. He suggested that it would be a good idea to involve the company in capacity building of contract analysis skills with similar agencies in Turkmenistan. In his opinion, "It doesn't have to be a competitive situation; it should be collaborative, to set the ground work for the next 40-50 years."

¶3. (C) Officials from BHP Billiton's Houston office, including Commercial Director for Petroleum, Larry D. Killion, New Ventures Manager for North Africa/Middle East/Russia, Paul McIntosh, and Geoscience Advisor for Global New Ventures in Petroleum, Terry Baganz, accompanied Tebbutt

on the trade mission. They asked about Post's anticipated projects in the area of environmental concerns in the hydrocarbon sector, such as water management and flaring. They also asked about the current level of delegations visiting Turkmenistan, the human rights situation, and if the U.S. was planning any changes in its approach towards or level of interest in regional hydrocarbon issues. They said that they are looking at developing opportunities in the seven-to-ten year timeframe rather than five, as exploration companies typically aim for.

14. (SBU) COMMENT: Typical of other companies that are realistic about entering the Turkmen market, BHP Billiton is taking a long-term approach to working in this country. Instead of pursuing their own Turkmenistan "wish list," these businessmen are looking for opportunities outside of the mining sector, an area in which the Turkmenistan Government does not currently appear ready to offer projects to any foreign companies. END COMMENT.

MILES